

METROSTATS

Exploring regional issues that matter.

April 2016

Diving Deeper: Understanding Disparities between Latino and White Residents in the Twin Cities Region

Key Findings

In September 2015, we released our second annual report ([PDF](#)) on racial and ethnic disparities in the 16-county Twin Cities metropolitan area. Much like our first report ([PDF](#)), data from the U.S. Census Bureau's 2014 American Community Survey showed that among the 25 most populous metro areas, the Twin Cities metro has the largest—or among the largest—disparities between persons of color and White, non-Latinos in poverty rates, homeownership, employment, and level of education. The gaps between our metro's Latino and White residents' homeownership, employment, and income rank in the top five largest disparities across other large U.S. metros.

Some question whether these disparities are, in fact, based on race or ethnicity at all. This line of thinking accepts that economic outcomes are worse for Latino residents but rather than seeing ethnicity as the distinguishing characteristic, point to underlying demographics as the main drivers of these inequities. For example, younger people (of any race or ethnicity) may be less likely to be employed, show lower overall income, and are less likely to own their home. If Latino residents tend to be younger, today's racial and ethnic disparities in economic outcomes may be more the result of age than race. Said another way, if the region's Latino and White residents had the same demographic profile, our region's racial and ethnic disparities would be drastically reduced. **However, our analysis shows that underlying demographic differences cannot fully explain away our region's disparities in homeownership and income between Latino and White residents.**

Our focus	Are there meaningful demographic differences between Latino and White residents?	To what extent do demographic differences drive the region's large racial and ethnic disparities in employment, income, and homeownership?	What other evidence suggests the region's disparities are strongly tied to race and ethnicity and not the result of other trends?
Our findings	Yes. Compared with the region's White residents, Latino residents are 1) younger, 2) more likely to have been born outside the U.S.—and if so, immigrated more recently, and 3) more likely to self-report lower English language skills. These differences matter because they are associated with lower employment rates, less income and lower homeownership rates. Page 3	Somewhat. Our analysis shows that even if the region's Latino residents had the same demographic profile (and select socioeconomic factors) as White residents, their homeownership rate and average hourly wage would still be lower than Whites. The gap in employment would close, however. This suggests ethnicity—or factors closely aligned with ethnicity—are indeed at the heart of our disparities. Page 5	Plenty. Racial and ethnic disparities in employment, income, and homeownership have persisted in the Twin Cities region since 1990, even as patterns in Latino immigration to the Twin Cities region have changed. Further, other U.S. metros with similar shares of residents of color do not have racial and ethnic disparities as large or as persistent as those in our region. Page 7

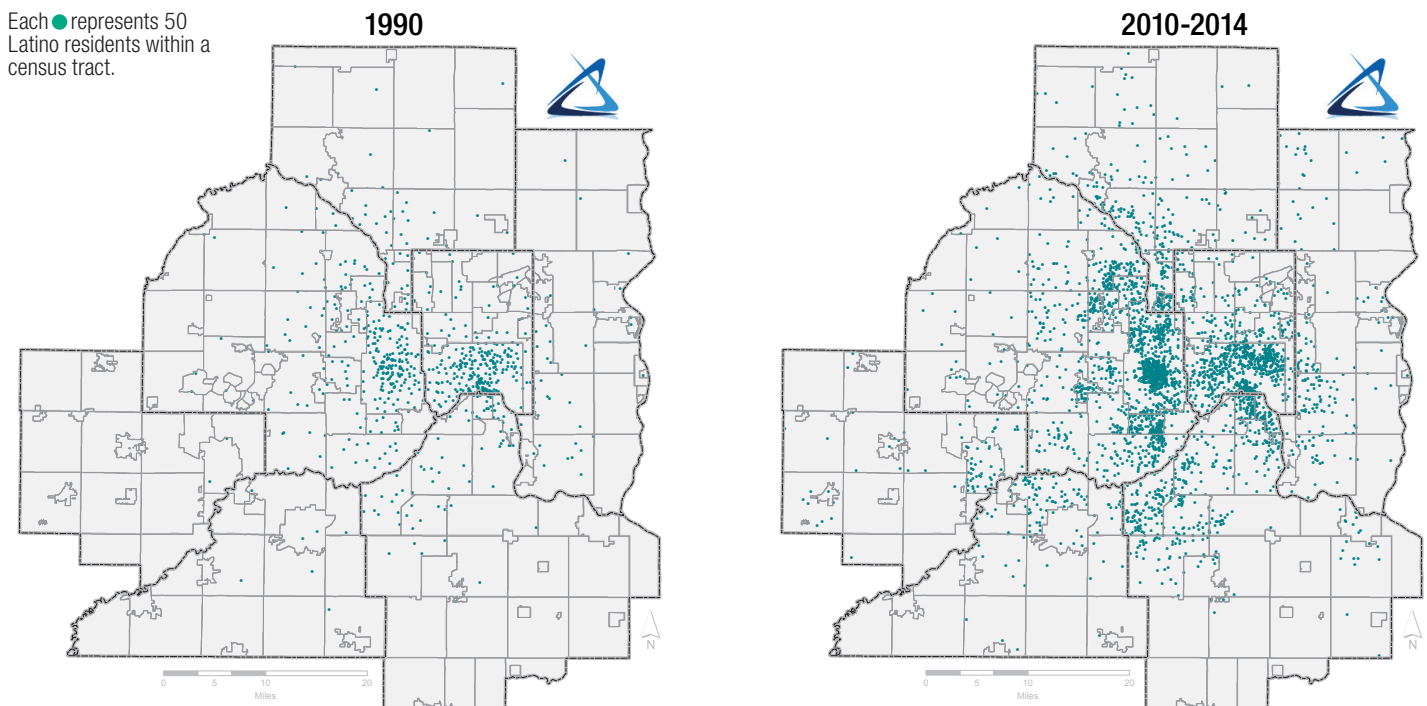
Background: The Twin Cities region's Latino residents

The most recent American Community Survey data show that just over 175,500 Latino persons lived in the seven-county Twin Cities region in the 2010-2014 period. For national context, other large metro areas whose share of Latino residents is similar to the (16-county) Minneapolis-Saint Paul-Bloomington metro area include Baltimore, Cleveland, Richmond, and Detroit.

Of all communities of color in the Twin Cities region, the Latino population is the fastest growing. Between 1990 and 2010-2014, the region's Latino population increased nearly fivefold (478%) while the total population increased by 28%. Currently Latino residents account for 6% of the region's total population, up from 1.6% in 1990. Although this report looks at the region's Latino population as a whole, it is worth noting that the Latino community in the Twin Cities is multicultural and includes residents who identify as Mexican, Ecuadorian, Colombian, and Puerto Rican, as well as Latino residents with other backgrounds.¹

As Figure 1 shows, the region's Latino residents primarily lived in Minneapolis and Saint Paul in 1990. By 2010-2014, this residential pattern expanded considerably. The cities with the largest number of Latino residents in 2010-2014 include Minneapolis, Saint Paul, Richfield, Bloomington, and Brooklyn Park. By share of total population, the top five cities are Richfield (19%), West Saint Paul (18%), Hopkins (12%), and Columbia Heights (11%). The small cities of Landfall, and Hilltop have fewer than 1,000 residents, but Latinos are a larger share in these places as well. Our previous research ([PDF](#)) shows that the region's Latino residents are more likely to live in Areas of Concentrated Poverty than White residents are. (Areas of Concentrated Poverty are census tracts where at least 40% of the residents have incomes at or below 185% of the federal poverty threshold.)

FIGURE 1. LATINO RESIDENTS IN THE TWIN CITIES REGION IN 1990 AND 2010-2014



Source: U.S. Census Bureau, Decennial Census, 1990; American Community Survey 5-year Estimates, 2010-2014.

Understanding the demographic differences between the region's Latino and White residents

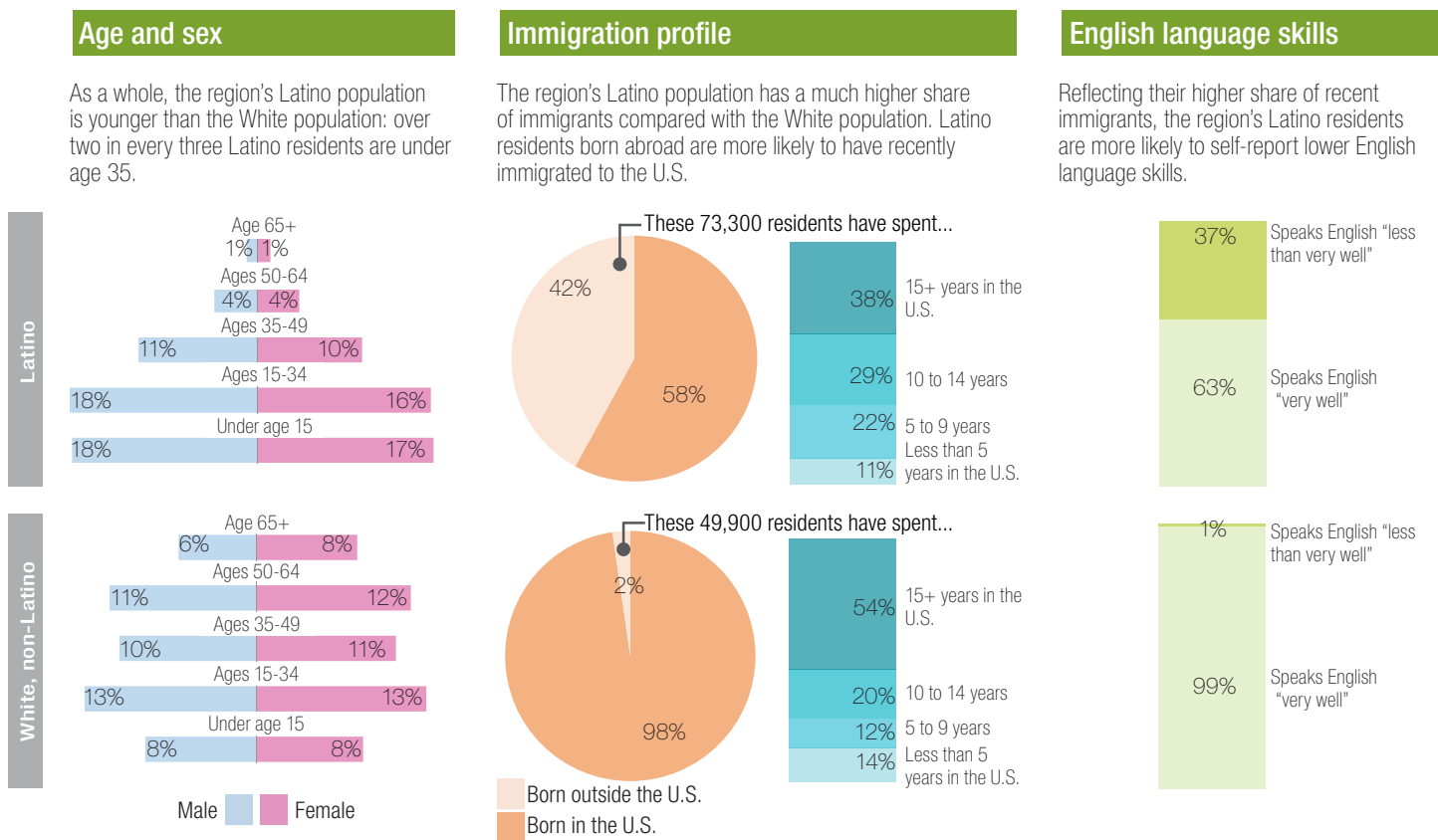
The focus of this *MetroStats* is to explore the region's racial and ethnic disparities in employment, income, and homeownership and to better understand if they are wholly based on race and ethnicity or if other demographic differences between Latino and White residents drive these inequities. We begin by taking a closer look at whether demographic differences between the region's Latino and White residents exist, and if so, what they are, how large they are, and why they matter to economic outcomes.

In fact, the overall demographic profile of the region’s Latino residents does differ from that of White residents and in ways that may affect outcomes like employment, income, and homeownership. Latino residents—as a whole—are younger: data from 2010-2014 show over two-thirds of Latino residents (69%) are under age 35 compared with 43% of White residents (Figure 2). Twin Cities residents under age 35 are less likely to be employed or own their homes, and have lower incomes than older residents (Figure 3).

Another key difference between Latino and White residents is their respective share of immigrants: just over two in five Latino residents (42%) were born outside the U.S. compared with only 2% of White residents (Figure 2). Further, Latino immigrants are more likely to have spent fewer years in the U.S. than White immigrants living in the region. Initially, recent immigrants of both races show lower incomes and homeownership than their U.S.-born counterparts (Figure 3). However, both Latino and White immigrants who have spent 15 or more years in the U.S. show higher employment rates, income, and homeownership rates than native-born residents.² (It’s important to note, though, that Latino residents’ employment, income, and homeownership remain below that of White residents across all immigration groupings.)

Lastly, reflecting a higher share of recent immigrants, Latino residents are more likely to self-report speaking English “less than very well” compared with White residents (Figure 2). Residents who report higher English skills typically show higher employment, income, and homeownership than those with lower English skills (Figure 3). For Latinos, homeownership, followed by income, is most affected by lower English language skills. However, Latinos who speak English “less than very well” are more likely to be employed than Whites with lower English skills.

FIGURE 2. DEMOGRAPHIC DIFFERENCES BETWEEN THE REGION’S LATINO AND WHITE RESIDENTS



Source: Metropolitan Council analysis of U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2010-2014.

FIGURE 3. WHY DEMOGRAPHIC DIFFERENCES BETWEEN THE REGION'S LATINO AND WHITE RESIDENTS MATTER

	Outcomes by age	Outcomes by immigration profile	Outcomes by English skills
Employment	<p>Younger residents are slightly less likely to be employed than older residents.</p> <p>The largest employment gap is among residents under age 35, where the Latino employment rate is 67.6% (versus 76.4% for White residents). The disparity is smaller in other age groups.</p>	<p>Recent immigrants are less likely to be employed than U.S.-born residents.</p> <p>Latino immigrants who've spent less than 5 years in the U.S. have a higher employment rate than their White immigrant counterparts, and an employment rate close to that of U.S.-born Latinos. However, for other immigration groupings, the employment rate for Latinos is below that of White residents.</p>	<p>Employment differs slightly based on English skills.</p> <p>The employment rate of Latino residents who speak English "less than very well" is only one percentage point higher than that of Latinos with higher English skills. For White residents, however, lower English skills results in a lower employment rate.</p>
Per capita income	<p>Younger residents have lower per capita income than older residents.</p> <p>The per capita income of younger White residents (about \$28,000) is much higher than that of younger Latino residents (about \$16,600), a pattern that persists in older age groups as well.</p>	<p>Immigrants who have lived in the U.S. for more than 15 years show higher incomes than U.S.-born residents.</p> <p>Very recent Latino immigrants have incomes one third of their White counterparts. Latino immigrants who've spent more time in the U.S. show higher incomes than more recent immigrants but they never meet or exceed that of Whites. However, Latino immigrants with 15+ years in the U.S. have higher incomes than U.S.-born Latinos.</p>	<p>Residents with lower English skills have much lower incomes.</p> <p>The per capita income for White residents with lower English skill is half that of those who report speaking English "very well." There is a similar income disparity for Latinos with different English skills, but the gap is less wide.</p>
Homeownership	<p>Younger residents (under age 35) are less likely to own their homes than older residents.</p> <p>Young Latino householders are less likely to own a home among age groups: 23.5% of Latino householders between ages 18 and 34 own their home (versus 50% of young White householders).</p>	<p>Recent immigrants (in the U.S. for less than 10 years) are less likely to own their homes than residents born in the U.S.</p> <p>White households, regardless of their immigration profile, have higher homeownership rates than Latino households. However, Latino immigrants who've spent at least 15 years in the U.S. are twice as likely to own their home as Latinos with fewer years in the U.S.</p>	<p>Residents with lower English skills are less likely to own their homes than those who speak English "very well."</p> <p>Latino householders who speak English "very well" have a homeownership rate nearly double that of Latino householders who report lower English skills. The pattern for White households is similar.</p>

Source: Metropolitan Council analysis of U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2010-2014.

So far we've determined:

- There are demographic differences between the region's Latino and White residents. As a whole, Latino residents are younger, are more likely to have been born abroad and immigrated more recently, and are more likely to self-report lower English language skills compared with White residents.
- Employment, income, and homeownership vary based on one's age, immigration profile, and English language skills.
- Regardless of groupings by age, immigration profile, and English language skills, Latino residents show lower outcomes in income and homeownership—and in most cases employment—than White residents. (The employment rate of very recent Latino immigrants actually exceeds that of White immigrants.)

The question remains, however: to what extent are these underlying demographic differences between Latino and White residents driving the region's large disparities? Or is ethnicity the primary factor in these gaps?

Untangling other demographic factors from ethnicity: What drives disparities?

Compared with White residents, income and homeownership is lower for Latino residents across the board—whether they are U.S.-born or born abroad, whether they are older or younger, and whether they self-report speaking English "very well" or "less than very well."

Clearly demographics play some role in these outcomes, but the disparities along ethnicity are consistent. Our next step is to better understand the influence of demographics—like age, immigration profile, and English language skills—on economic outcomes. **If we remove the demographic differences between Latino and White residents, will the disparities decrease?**

To investigate, we used regression modeling—a type of statistical analysis that detects patterns in data and calculates the contributions of many different factors on outcomes (here, employment, income, and homeownership). Using regression models, we calculated what the outcomes for Latino residents would be if Latino residents had the same demographic profile as White residents. This allowed us to look at the economic outcomes of Latino and White residents holding all else constant—and, potentially, untangle the contribution of ethnicity from these other demographic characteristics.

A few caveats worth noting: our regression models are limited to characteristics that appear in the U.S. Census Bureau’s American Community Survey data. In our first model, we look specifically at the influence of age, immigration profile, and English language skills. We then created a second model that included those characteristics as well as additional factors like disability status, level of education, and whether someone recently moved to the region from another U.S. state (migration), among others. We recognize that our analysis does not include every factor that could affect employment, income, or homeownership.³ Our intent was not to develop an exhaustive or definitive statistical model that fully explains all factors involved in our region’s racial and ethnic disparities. Rather, our goal was to estimate what the disparities between Latino and White residents of our region would be if Latinos and Whites had a similar demographic profile. In essence, we are removing demographic factors’ contribution to racial and ethnic disparities to see what remains. (See page 8 for technical notes on our regression analysis.)

“If Latino residents had the same demographic profile as White residents, would regional disparities decrease?”

To find out, we used regression models that removed the influence of these underlying demographics, then recalculated the outcomes.

Even when demographic differences between the region's White and Latino residents are taken into account, the disparities in income and homeownership would remain. The gap in employment rate, however, would be completely closed by adjusting for demographic influences (Figure 4).

More specifically, consider that:

- After removing the influence of eight demographic differences between White and Latino residents, the employment rate for Latino residents would be 81.6%, surpassing the actual employment rate for the region's White residents of 79.2%.
- After removing the influence of 10 demographic differences between White and Latino residents, the average hourly wage for Latino workers would remain \$2.17 below that of White workers, about \$4,500 annually for a full-time employee.
- After removing the influence of 10 demographic differences, the homeownership rate for Latino households would almost double, going from 38.2% to 63.1%, but would remain below the White homeownership rate of 75.7%.

FIGURE 4. REMOVING DEMOGRAPHIC DIFFERENCES BETWEEN LATINO AND WHITE RESIDENTS

Employment rate

When demographic differences are removed through modeling, the Latino employment rate would rise from 73.5% (actual) to 76.9% (model 1), and then to 81.6%, surpassing the actual White employment rate in 2010-2014.

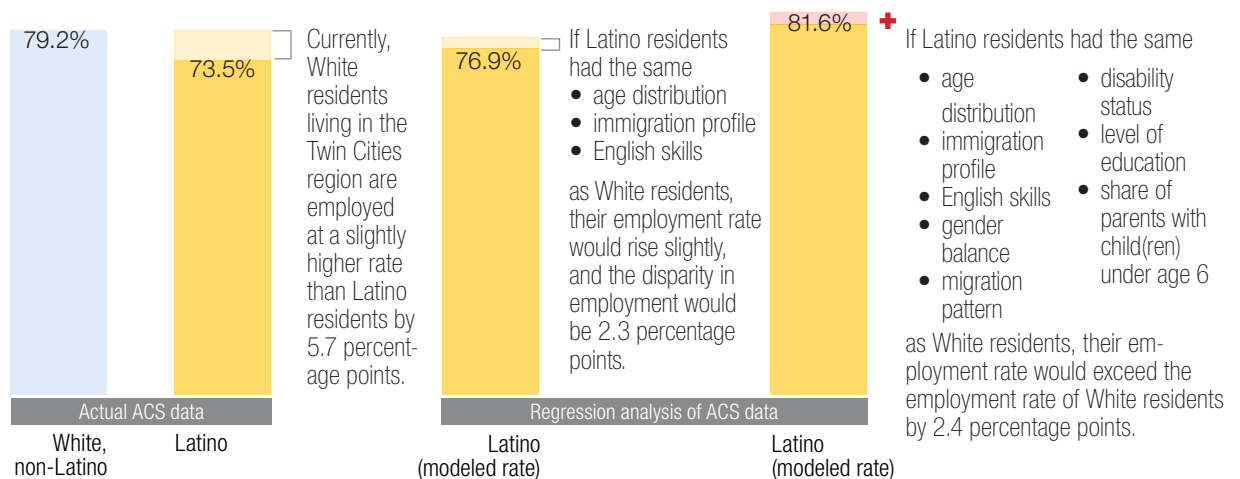
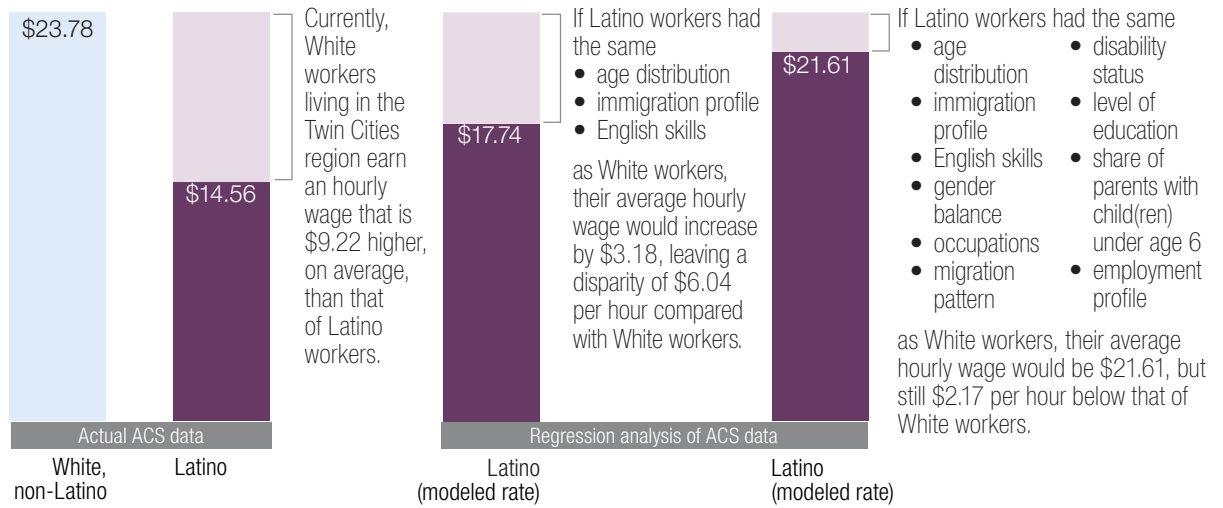


FIGURE 4 (Continued): REMOVING DEMOGRAPHIC DIFFERENCES BETWEEN LATINO AND WHITE RESIDENTS

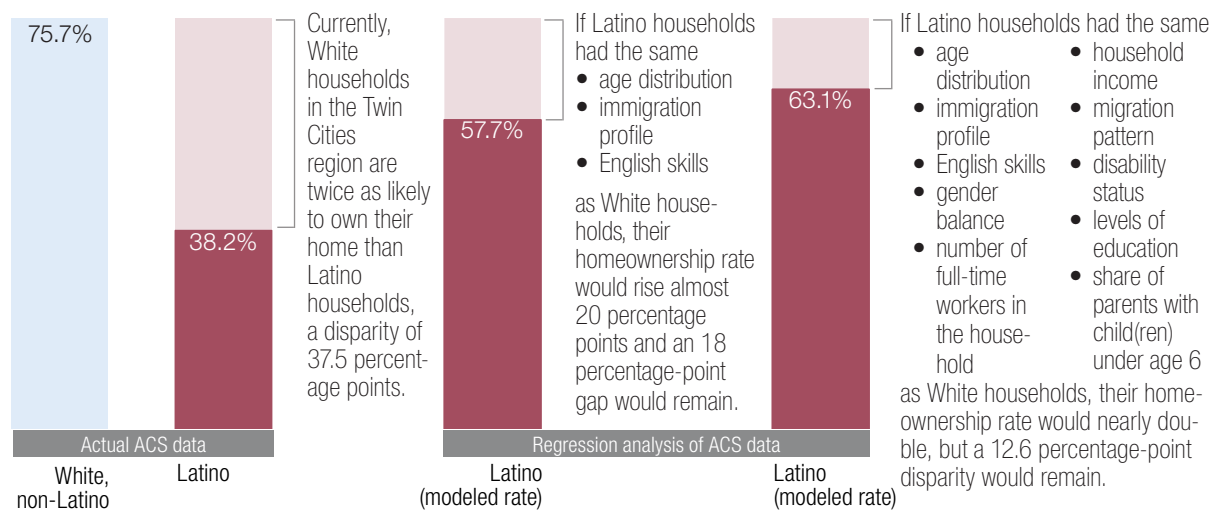
Average hourly wage

The average hourly wage of Latino workers is \$9.22 below that of White workers. Removing demographic differences closes this gap somewhat, but a considerable wage disparity remains.



Homeownership rate

White households' homeownership rate is double that of Latino households. When demographic differences are removed through modeling, the Latino homeownership rate would nearly double, but a sizeable disparity would remain compared with White households.



Source: U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2010-2014. See page 8 for technical notes on our regression analysis.

By applying regression analysis to 2010-2014 American Community Survey data, we've established:

- that by removing the collective influence of age, immigration profile, and English language skills between the region's Latino and White residents, disparities in employment, income, and homeownership are somewhat reduced; and
- when we remove the differences of an even wider range of demographic and socioeconomic characteristics between Latino and White residents available in the dataset, ethnic disparities would persist in homeownership and income, but the gap in employment would close completely.

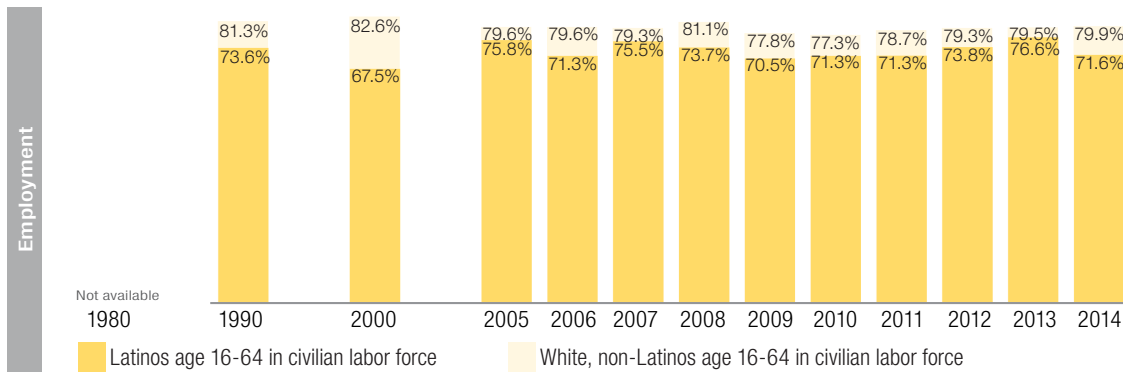
These results confirm that ethnicity—or factors closely associated with ethnicity—are indeed at the heart of the region's racial and ethnic disparities. While this analysis does not (and cannot) account for all factors involved in perpetuating racial and ethnic disparities—credit scores in homeownership or relevant experience in employment, for example—other research supports the claim that systemic discrimination is part of the equation.⁴

A well-established history of racial and ethnic disparities in The Twin Cities region

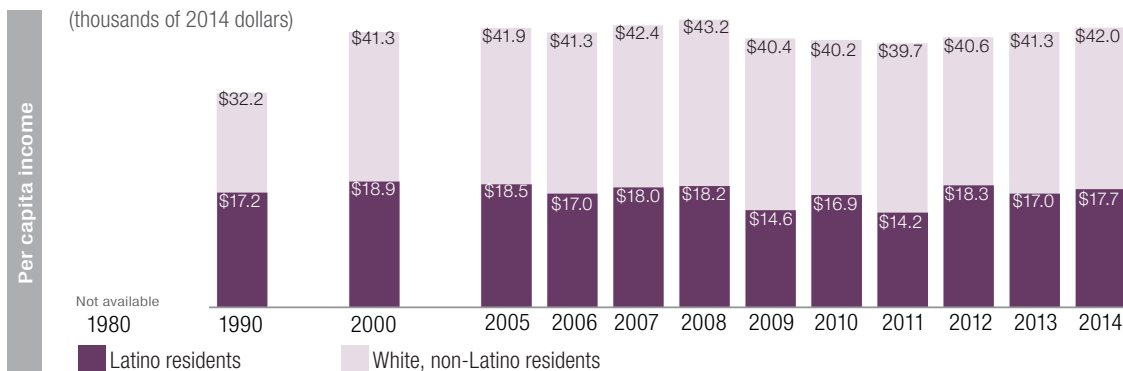
Another misconception we hear about the Twin Cities region's racial and ethnic disparities is that they are a recent phenomenon, and largely associated with growth in the share of residents of color, especially immigrants. However, racial and ethnic disparities in employment, income, and homeownership have been persistent since 1990 (Figure 5).

In 1990, only 15% of Latino residents in the Twin Cities region were born abroad. As shown in Figure 2, the share of Latino immigrants has increased considerably. In 2010-2014, 42% of the region's Latino residents were born outside the U.S. Meanwhile, disparities in employment, income, and homeownership have remained consistent or increased, even as immigration trends have shifted.

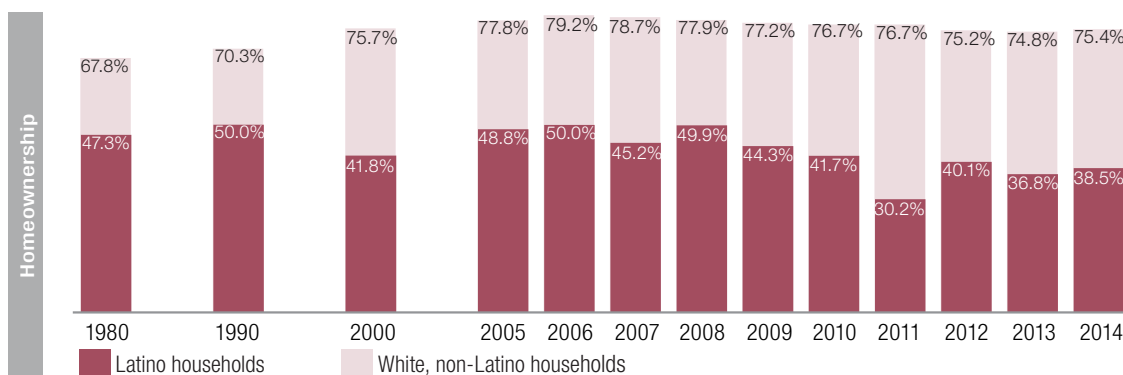
FIGURE 5. RACIAL AND ETHNIC DISPARITIES IN THE TWIN CITIES REGION ACROSS THREE DECADES



In 1990, 81.3% of working-age-White residents were employed compared with 73.6% of Latino residents. Over the past 20 years, the Latino employment rate remained stable, with some small drops during the Great Recession. The gap in 2014 is only slightly larger than in 1990 (8.3 percentage points).



The large gap in per capita income between White and Latino residents from 1990 to 2014 is quite clear. Further, the per capita income for White residents rose slightly since 2000, while Latino residents saw a slight decrease over the same time period, even as employment rates remained fairly stable.



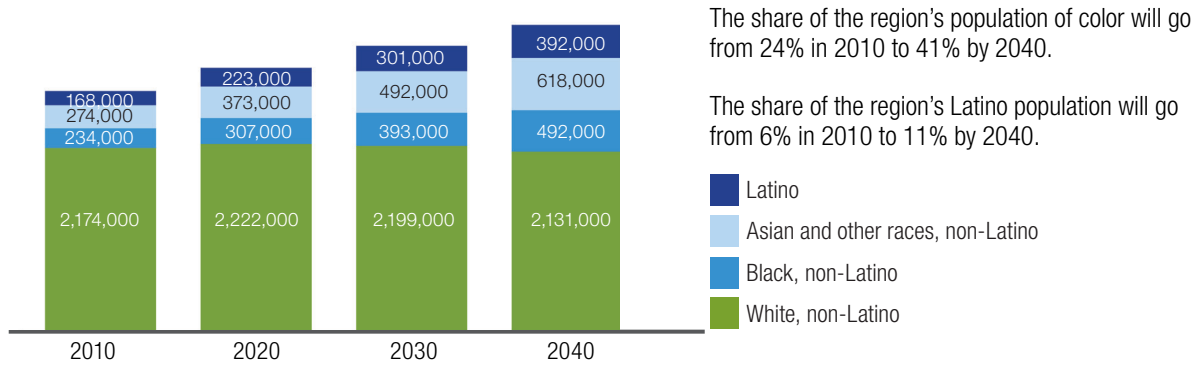
In 1980, just over two-thirds of White householders in the Twin Cities region owned their home, compared with just under half of Latino householders. This gap widened over the past three decades: as of 2014, three in every four White households own their home compared with less than two in five Latino households.

Source: U.S. Census Bureau, Decennial Census 1980, 1990 and 2000; American Community Survey Public Use Microdata Sample, 2005-2014.

Looking ahead: How racial and ethnic disparities undermine our region's future prosperity

The Twin Cities region is among the most prosperous regions in the U.S.: overall, our unemployment rate, home-ownership rate, and per capita income rank favorably compared with the 25 largest metropolitan areas. However, even with these assets, the presence and potential growth of our region's disparities between White residents and residents of color may undermine our economic competitiveness and prosperity. Other metro areas like Portland, Pittsburgh, and Boston have a similar share of residents of color as the Twin Cities but do not show racial and ethnic disparities as large or as persistent as those in our region when it comes to key economic outcomes. Our Thrive MSP 2040 regional forecast shows that our region's share of residents of color is expected to grow significantly over the next three decades (Figure 6). With nearly all of our region's workforce growth coming from residents of color in the coming decades, all residents of the Twin Cities region need access to opportunity if the region is to have a healthy and prosperous future.

FIGURE 6. REGIONAL POPULATION FORECAST BY RACE AND ETHNICITY, 2010-2040



Source: U.S. Census Bureau, Decennial Census, 2010 and Metropolitan Council regional forecast (March 2015).

Technical notes

Unless otherwise noted, the source for all analyses in this *MetroStats* was based on U.S. Census Bureau's American Community Survey (ACS) Public Use Microdata Sample (PUMS). All regression models are based on 2010-2014 five-year ACS PUMS and employed the successive difference replicate weights that accompany the PUMS files. These weights reflect the complex sampling design of the ACS and result in more accurate statistical inference. Please note that our ACS regression models are estimates that are subject to sampling error. Additionally, different tweaks to the models may yield slightly different results (though the overall story about disparities would not change). For these reasons, the numbers discussed throughout this report should be interpreted as our best approximations of what is happening across the region rather than exact or precise determinations. The full methodology is available here ([PDF](#)).

Endnotes

¹ Both demographics and key economic outcomes differ by cultural group. The Minnesota State Demographic Center's [The Economic Status of Minnesotans](#) provides a summary of these differences at the state level.

² This is consistent with other economic research. Immigrants are not randomly selected from their countries of origin—they tend to have high levels of education or are refugees who have an incentive to make a new life in the U.S. That said, the histories and circumstances of different immigrant groups vary considerably, which affects the pattern of results presented here. [This research by the Social Security Administration provides additional context.](#)

³ See, for example: Board of Governors of the Federal Reserve (2010). [Does Credit Scoring Produce a Disparate Impact?](#); Federal Reserve Bank of Dallas (2011) [Trends in Poverty and Inequality among Hispanics.](#)

⁴ See, for example: Institute on Metropolitan Opportunity (2014). [Twin Cities in Crisis: Unequal Treatment of Communities of Color in Mortgage Lending](#); Minnesota Advisory Committee to the U.S. Commission on Civil Rights (2013). [Unemployment Disparity in Minnesota.](#)

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